



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 8/11/2004

GAIN Report Number: MX4100

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue #31

2004

Approved by:

Bruce Zanin
U.S. Embassy

Prepared by:

Bruce Zanin, Dan Martinez, Kate Snipes, Benjamin Juarez, Dulce Flores, Salvador Trejo and Gabriel Hernandez

Report Highlights:

- *2004 LOS CABOS FOOD SERVICE SHOW
- *FIRST HARD WHITE WHEAT VARIETY INTRODUCED INTO MEXICO
- *SAGARPA ANTICIPATES THAT THE U.S. WILL DECREASE AGRICULTURAL SUPPORTS
- *SNACK FRIES MANUFACTURING COMPANIES IMPORT MORE CORN
- *PRICES REACH RECORD LEVEL FOR MEXICAN CATTLE IN THE U.S.
- *STRENGTHENED MEASURES AGAINST BIO-TERRORISM
- *NAFTA RESULTS ARE QUESTIONED
- *PROPOSALS TO RE-INVIGORATE NAFTA WITH SUPPORTS
- *MEXICO LIKES WTO DEAL AGAINST SUBSIDIES
- *CNC SUGGESTS MEXICO BE CAUTIOUS
- *MEXICO AND THE U.S. TO INTEGRATE WTO PANEL TO SOLVE SWEETENERS ISSUE
- *THE GOM IMPOSES COMPENSATORY DUTIES ON IMPORTED U.S. AND CANADIAN PAPER
- *INVESTMENT IN TOURISM SOARING

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

.....

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

.....

2004 LOS CABOS FOOD SERVICE SHOW

A first-ever "All Food and Beverage" Expo was held in the exclusive resort location of Cabo San Lucas on August 3, 2004. This food service directed event was organized by ATO Monterrey and included participation by 24 U.S. food cooperators, importers and exporters. Products exhibited included beef, poultry, wine, fresh and frozen vegetables, cheeses, dairy deserts, processed potatoes, processed meats, oysters, vegetable oils and other products. Expo visitors included general and procurement managers and executive chefs from the region's 120 resort hotels, restaurant chains and retail outlets. On-site and follow-up sales reports from exhibitors were significant and will be included in the post-activity report. (Source: ATO Monterrey, 8/9/04)

FIRST HARD WHITE WHEAT VARIETY INTRODUCED INTO MEXICO THROUGH THE QUALITY SAMPLES PROGRAM

One hundred tons of a relatively new U.S. wheat class, Hard White, was introduced to Mexico by US Wheat Associates this summer using the FAS Quality Samples Program. A flourmill in Mexico received the wheat after expressing their strong interest in the new wheat-type. A technical consultant was provided by US Wheat to work with the production and operation staff at the mill. The results were excellent and the miller plans to further test the Hard White Wheat variety and is potentially interested in purchases. Interest in industrial testing of the new variety has spread to other milling operations in Mexico. (Source: ATO Mexico City, 8/9/04)

SAGARPA ANTICIPATES THAT THE UNITED STATES WILL DECREASE AGRICULTURAL SUPPORTS

The Secretariat of Agriculture (SAGARPA) foresees that the United States will reduce its agricultural export supports by 20 percent before the date that the World Trade Organization set (2006). According to Graciela Aguilar, SAGARPA's representative on trade negotiations, "The percentages and time periods for the elimination of subsidies are still pending, but last month developed countries agreed to a reduction of 20 percent on their export subsidies, and I believe that they will begin to do it immediately and in a gradual manner until 2006." (Source: *Reforma*, 8/6/04)

SNACK FRIES MANUFACTURING COMPANIES IMPORT MORE CORN

According to the Secretariat of Economy, the snack fries and breakfast cereal industries are importing more U.S. corn to supply a growing Mexican market for these products and that is

reflected in the growth of the corn import tariff rate quotas. The president of the Food and Drinks Council of the National Chamber of the Transformation Industry, Mario Villas, stated that these sectors consume 100,000 MT of domestic corn annually. However, they import more than that amount. (Source: *Reforma*, 8/04/04) NOTE: As of June 30, 2004, these industries have imported approximately 305,000 MT of U.S. corn into Mexico— see MX 4097. END NOTE.

PRICES REACH RECORD LEVEL FOR MEXICAN CATTLE IN THE U.S.

According to a local newspaper, the outbreak of BSE last December in the United States was beneficial for the Mexican cattle industry. Export cattle prices on the hoof have reached record levels (US\$1.40 Lb.) and this has stimulated increased shipments to the United States from Mexico. The National Cattleman's Association (CNG) estimates that exports in the 2003/04 bovine commercial year (September/August) will reach 1.4 million head, 44 percent more than the same period of the previous year. (Source: *El Financiero*, 8/9/04)

STRENGTHENED MEASURES AGAINST BIO-TERRORISM

Next Friday, after three implementation stages, the U.S. Bio-terrorism Act (BTA) will be fully implemented. The application of strict sanctions and possible detention of food and beverage shipments are expected in cases of non-compliance with this law. The Secretariat of Economy (SE) announced that 90 percent of 7,200 Mexican exporters of food products are in compliance with the BTA. Ken Smith, SE Director for Evaluation and Tracking of Negotiations, said, "Since the implementation of the first learning stage on December 12, 2003, no Mexican food shipment has been detained and the law is not foreseen as having a negative impact as a result of its implementation on August 13." Nogales, Mexicali, Ciudad Juarez, Colombia, Nuevo Laredo, Tijuana, Reynosa and Piedras Negras are the main crossing points for Mexican food shipments entering the United States. (Source: *El Financiero*, 8/9/04)

NAFTA RESULTS ARE QUESTIONED

According to a local newspaper, governors on both sides of the border between Mexico and the United States consider that NAFTA continues to be "a half empty glass" that has only benefited the strongest entities and big capital. It (NAFTA) has been unable to banish poverty and eliminate the immigration problem. During the XXII Border Governor's Conference, they recognized that NAFTA's signature has been one of the most important and transcendent acts in their bilateral history. However, they stated that its implementation is unequal and the lack of more controls has led to irreparable environmental damage and in serious damage for thousands of families that live in the so-called "maquila" areas (in-bond industry areas). The article also states that some agricultural and transport conflicts have not been resolved. (Source: *El Universal*, 8/10/04)

PROPOSALS TO RE-INVIGORATE NAFTA WITH SUPPORTS

During the XXII Border Governor's Conference, investigators, officials and governors from Mexico and the United States agreed that what is necessary to re-invigorate NAFTA is to strengthen institutions, to speed up border trade flow, to contribute to Mexico's development and to pay attention to issues like water and energy. Gary Clyde Hufbauer, of the Washington International Economic Institute, proposed that both countries impose common import duties for imports coming from non-NAFTA regions. James Jones, former U.S. ambassador in Mexico, remarked that from the macroeconomic and social point of view, the NAFTA success ratio is fifty-fifty. He said that the agreement should allow the free flow of people and should be set as a goal within the next ten years. (Source: *Reforma*, 8/10/04)

MEXICO LIKES WTO DEAL AGAINST SUBSIDIES

"Mexico feels satisfied with the results from last weekend's Doha negotiations held in Geneva," said Secretariat of Economy (SE) Under Secretary for International Commercial Negotiations, Angel Villalobos. Specifically, the benefits will be for the producers of cotton, sorghum, wheat, corn, fresh vegetables and dairy products because of the elimination of subsidies," he added. Also, Villalobos declared that currently Mexico is at a disadvantage due to the support and credits granted to farmers in developed countries. Villalobos added, "Those countries count on important commercial companies that allow them to export with certain hidden subsidies, but Mexico does not count on such supports." However, a spokesperson for the Farmers National Council (CNA) said that producers will increase their competitiveness if the deal is enforced. (Source: *Reforma*, 8/3/04)

CNC SUGGESTS MEXICO BE CAUTIOUS

The Farmers National Confederation (CNC) indicated that last week's WTO agreement to substantially reduce subsidies on agricultural exports must be evaluated with discretion, since the United States and EU could add conditions to the deal. Cruz Lopez Aguilar, president of the Agricultural Commission in the Lower Chamber of the Mexican Congress and a member of the CNC, affirmed that the EU had been reluctant to reduce subsidies due to pressure from EU producers. "Even though the EU acceded, it is uncertain how agreements are to be enforced. It has not been established if all subsidies will be eliminated or just a few," Lopez Aguilar added. "The CNC is not against the agreement, however, it is necessary to clarify and establish its terms. (Source: *Reforma*, 8/4/04)

MEXICO AND THE U.S. TO WTO PANEL TO SOLVE SWEETENERS ISSUE

Mexico and the United States will arrive at the conflict resolution panel of the WTO without a proposal to solve the sweetener conflict between the two industries. The Secretariat of Economy indicated that positions between both governments are the same and they are in the process of electing the three people who will sit on the WTO Panel tasked with addressing the U.S. petition that Mexico eliminate the 20 percent tax on all beverages that use sweeteners other than sugar. (Source: *La Jornada*, 8/9/04)

THE GOM IMPOSES COMPENSATORY DUTIES ON IMPORTED U.S. AND CANADIAN PAPER

According to a local newspaper, Secretary of Economy Fernando Canales-Clariond announced that Mexico initiated an antidumping investigation against United States and Canadian paper imports with weight bases of 48-8 g/m². (Source: *Milenio & Reforma*, 8/04/04)

INVESTMENT IN TOURISM SOARING

The Secretary of Tourism announced that investment in tourism projects during the first half of 2004 reached US\$1.97 billion. The investment in the 179 ongoing projects represents a 40 percent increase compared with the same period in 2003. Mexican firms account for over 70 percent of the investments, followed by Spain, the United States and Canada. Foreign investment increased 130 percent, jumping from US\$247 million in the first half of 2003 to US\$569 million in the first half of this year. (Source: *El Financiero*, 8/5/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX4099	Weekly Highlights & Hot Bites, Issue #30	8/3/04

We are available at <http://www.fas-la.com/mexico> or visit our headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

FAS/MEXICO EMAIL

To reach us at FAS/Mexico City:

AgMexico@usda.gov and/or ATOMexico@usda.gov